

various governmental entities and collected by the cable operator.

We believe that the 1984 Cable Act authorized an expansive definition of gross revenues and nothing in either the express language of the 1984 Cable Act or its Legislative History suggests that Section 622(c) was intended to allow deductions from gross revenues for the purposes of calculating the franchise fee. Section 622(c) allowed disclosure and nothing else. The League suggests that this Commission clarify the intent of Section 622(c) and not allow this provision of the 1984 Cable Act, as amended, either to be used as a independent justification to obtain rate relief or be utilized as a device to circumvent the payment of properly owed franchise fees as calculated pursuant to the franchise agreement between the cable operator and the franchising authority. Costs itemized pursuant to Section 622(c) should be considered as ordinary costs of doing business for the purposes of rate determination and should not be viewed as an "add on" item to be added to any rate which is established pursuant to the rate determination procedure.

Finally, although it may or may not be appropriate to fully "load" costs itemizable pursuant to Section 622(c) for the purposes of rate making, these costs should be calculated on an incremental or marginal basis for the purpose of disclosure. The purpose of Section 622(c) was to allow cable operators to disclose the amount of a monthly bill which is directly related to impositions imposed by the franchising authority. To the extent that any portion of these costs would exist independent of

the franchising authority's imposition, it is simply not fair to allocate those sunk costs to the franchising authority pursuant to a Section 622(c) itemization. Rather, costs imposed pursuant to the franchising process should be calculated on an incremental or marginal basis so that subscribers are provided an accurate measure of the cost of franchising requirements and franchising authorities are not required to bear the political pressure associated with ordinary costs of business which would be incurred by the cable operator irrespective of the franchising process.

#### V. CONCLUSION

The League and the entities specified herein respectfully submits these comments for consideration by the Commission in relation to its NPRM in MM Docket No. 92-266. The League, through its membership, possesses extensive experience in regulating cable television rates and thus feels that its comments represent both years of regulatory history prior to 1984 and eight years of problems and issues which have arisen since the adoption of the 1984 Cable Act. Again, the League concurs and joins in the comments filed by Local Government and strongly

commends the Commission for the careful and insightful approach taken by it in the NPRM.

Respectfully Submitted.

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